

Board of Governors of the Federal Reserve System
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Chris Barnard

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- 12 CFR Part 208; Docket No. R-1549
- Loans in Areas Having Special Flood Hazards – Private Flood Insurance

Dear Robert deV. Frierson.

Thank you for giving us the opportunity to comment on your Joint notice of proposed rulemaking: Loans in Areas having Special Flood Hazards – Private Flood Insurance.

The Agencies¹ are issuing a new proposal to amend their regulations regarding loans in areas having special flood hazards to implement the private flood insurance provisions of the Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters Act). Specifically, the proposed rule would require regulated lending institutions to accept policies that meet the statutory definition of private flood insurance in the Biggert-Waters Act and permit regulated lending institutions to accept flood insurance provided by private insurers that does not meet the statutory definition of “private flood insurance” on a discretionary basis, subject to certain restrictions.

Requirement to purchase flood insurance and compliance aid for mandatory acceptance

Section 100239 of the Biggert-Waters Act addresses the use of private insurance to satisfy mandatory purchase requirements. Proposed § 208.25(c)(3)(i) requires regulated lending institutions to accept private flood insurance as satisfaction of the mandatory requirements, provided that the private flood insurance meets the definition of private flood insurance in proposed § 208.25(b)(9),² and coverage under the flood insurance policy meets the

¹ OCC, Board, FDIC, FCA and NCUA.

² For example the private flood insurance policy must be issued by an approved insurance company that provides flood insurance coverage which is at least as broad as the coverage provided under a

mandatory coverage requirements. This is in line with the Biggert-Waters Act, and I support this proposal as reasonable and fair. It should stimulate activity and increase transparency and competition in the private flood insurance market, and lead to: improved data and experience analyses; underwriting and risk management; and flood-pricing techniques.

In order to improve efficiency and reduce burden on smaller institutions, I also support proposed § 208.25(c)(3)(ii) that introduces a compliance aid provision to assist consumers and lending institutions in determining whether and how a flood insurance policy meets the definition of private flood insurance under the Biggert-Waters Act. This compliance aid leverages the relevant expertise of the insurer issuing the policy.

In summary, I support these proposals as they will stimulate the private flood insurance market and increase efficiency, competition and choice therein.

Yours sincerely

C.R.B.

Chris Barnard

standard flood insurance policy, including when considering deductibles, exclusions, and conditions offered by the insurer.